



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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August 18, 2004

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **DREW CHILD DEVELOPMENT CORPORATION CONTRACT REVIEW**

We have completed a contract compliance review of Drew Child Development Corporation (DREW), a CalWORKs Stage 1 Child Care service contractor. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

**Background**

The Department of Public Social Services (DPSS) contracts with DREW, a private, non-profit, community-based organization that assists parents with childcare services. DREW's services include explaining participant's childcare options and program rights, providing multilingual services to the participants upon request and consumer education information. DREW is located in the Second District and is not associated with the Charles R. Drew Medical School.

DPSS pays DREW a negotiated rate of approximately \$121 per case per month. DPSS also pays DREW \$6,345 for nine-months for outreach services. For Fiscal Year 2003-2004, DPSS paid DREW approximately \$1.4 million.

**Purpose/Methodology**

The purpose of the review was to determine whether DREW provided the services outlined in their Program Statement and County contract. We also evaluated DREW's ability to achieve planned service and staffing levels. Our monitoring visit included a review of DREW's billing statements, participant case files, staff time sheets and interviews with DREW's staff, program participants, and service providers.

*"To Enrich Lives Through Effective and Caring Service"*

**Results of Review**

Overall, DREW is providing the services outlined in its contract using the appropriate number of staff. However, we noted that one (5%) of the 20 participants interviewed stated that she did not receive services from DREW and that her child was not enrolled at the reported daycare provider. The participant also stated that she actually receives services from another Stage 1 Child Care service contractor. DREW over billed DPSS appropriately \$12,400.

Initially, DREW could not explain why they billed DPSS for services that were not provided and investigated the circumstances surrounding the issue. The results of DREW's investigation noted that the questionable payments were the result of fraud and the District Attorney (DA) is looking into the matter. DREW indicated that they will keep our Office informed of the results of the DA's investigation (see attachment). In addition, DREW assured us that they did not knowingly bill DPSS for services that were not provided.

The over billing noted above is a serious concern and demonstrates the need for DREW management to strengthen their oversight over the billing and documentation procedures. We have recommended that DREW management only charge DPSS for services actually provided and repay DPSS for all over billings.

**Review of Report**

We discussed our report with DREW who concurred with our findings and agreed to submit a corrective action plan to DPSS. In addition, we notified DPSS of the results of our review and DPSS management will work with the Agency to implement the recommendations.

We thank DREW for their cooperation and assistance during the review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:DR:DC  
Attachment

c: David E. Janssen, Chief Administrative Officer  
Department of Public Social Services  
Bryce Yokomizo, Director  
Ida L. Rivera, Chief, Contract Management Division  
Shirley Christensen, Chief, Gain Program Division  
Mike Jackson, Chief Executive Officer, Drew Child Development Corporation  
Violet Varona-Lukens, Executive Officer  
Public Information Office  
Audit Committee

**CENTRALIZED CONTRACT MONITORING PILOT PROJECT  
CalWORKs STAGE 1 CHILD CARE PROGRAM  
FISCAL YEAR 2003-2004  
DREW CHILD DEVELOPMENT CORPORATION**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether DREW provided the services billed in accordance with their contract and the program participants actually received those services.

**Verification**

We sampled 10 program participant case files and reviewed the case file documentation, including billing statements. We also interviewed 20 program participants and 10 daycare providers. Our sample represents \$2,420 out of a total of \$185,479 that DREW billed DPSS.

**Results**

Generally, DREW provided the services outlined in its County contract and the services met the participants' expectations. DREW clearly explained childcare options, program rights, and consumer information to the participants. In addition, upon request, DREW provided multilingual services to program participants. However, DREW billed DPSS for services not provided and did not maintain documentation to support one service provider's qualifications. Specifically, we noted the following:

- One (5%) program participant stated that she did not receive services from DREW and that her child did not attend the childcare provider shown on DREW's billing statement. The participant also stated that since May 2003, she received services from another childcare provider. From May through September 2003, DREW erroneously billed DPSS approximately \$12,400 for childcare services that the participant did not receive.

DREW investigated the over billing and determined that the over billing was due to fraud and the District Attorney is looking into the matter.

- One (10%) participant case file did not contain a copy of the daycare provider's current business license and taxpayer identification number or Social Security Number, as required by the contract.

We recommend that DREW management only charge DPSS for services actually provided and that DREW repay DPSS for the amount over billed. Also, DREW management needs to ensure participant case files contain all required documentation.

**Recommendations****Drew management:**

1. Only charge DPSS for services actually provided to eligible program participants.
2. Repay DPSS for the amount over billed.
3. Ensure that participant case files contain all required documentation.

**STAFFING/CASELOAD LEVELS****Objective**

Determine whether DREW's actual staffing met the staffing levels required by the County contract.

**Verification**

We interviewed 24 program staff and reviewed time sheets to determine whether actual staffing levels were consistent with proposed staffing levels.

**Results**

No exceptions. DREW's actual staffing is approximately 20% greater than the staffing level required by its County contract. As noted below, the increase in staffing is due to a higher than expected caseload.

**Recommendation**

**There are no recommendations for this section.**

**SERVICE LEVELS****Objectives**

Determine whether DREW reported services did not significantly vary from planned services levels.

**Verification**

We reviewed invoices and compared them to DREW's proposed service levels for the same period.

**Results**

No exceptions. For September and October 2003, DREW's reported service level averaged approximately 766 participant cases. This represents an increase of approximately 10% from the budgeted participant service levels (700 participant cases). The increase in the service levels is due to an increase in the number of cases referred to the contractor by DPSS as a result of increase in the need of childcare services by the CalWORKs participants in the contractor's designated service area.

**Recommendation**

**There are no recommendations for this section.**

Drew  
Child  
Development  
Corporation

April 30, 2004

J. Tyler McCauley  
Auditor-Controller  
County of Los Angeles  
Department of the Auditor Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2766

Dear Mr. McCauley:

This is in response to your draft report on the Stage One Alternative Payment Program as a result of the contract compliance review audit conducted by your department in January 2004.

It is not common practice for Drew Child Development Corporation to charge DPSS for services not provided. Upon learning that we erroneously made payments to a childcare provider who provided no child care service, we immediately launched an internal investigation, hired an outside investigation agency to conduct a thorough investigation and evaluated our internal controls. We immediately began to implement additional internal and external controls to safeguard the integrity of our programs and payments.

Our investigation has determined that the payments in question were made as the result of fraud. Drew did not knowingly make payments for childcare services that were not provided. We and our investigators are cooperating fully with the Los Angeles County District Attorney's office in their ongoing investigation.

We are dedicated to maintaining the highest possible standards in administering child care programs. We are doing everything we can to ensure that the guilty parties are punished to the fullest extent of the law. We are also working diligently to reduce the possibility of any reoccurrence of this type of fraud.

We will keep you informed of any further outcomes of both our and the District Attorney's investigation. Please call me at (323) 249-2950 if you have any further questions or concerns.

Sincerely,



Mike Jackson  
President /CEO

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